

**DEPARTMENT OF TAXATION  
2026 Fiscal Impact Statement**

1. **Patron** Phil M. Hernandez
3. **Committee** Senate Finance and Appropriations
4. **Title** Wage garnishment; state tax debt

2. **Bill Number** HB 488  
**House of Origin:**  
 **Introduced**  
 **Substitute**  
 **Engrossed**
- Second House:**  
 **In Committee**  
 **Substitute**  
 **Enrolled**

**5. Summary/Purpose:**

This bill would provide that, effective July 1, 2027, the maximum part of the aggregate disposable earnings of an individual for any workweek that is subject to garnishment to collect delinquent taxes and charges owed to the state government shall not exceed the lesser of (i) 25 percent of such individual's disposable earnings for that week, or (ii) the amount by which such individual's disposable earnings exceed 40 times the federal or Virginia minimum wage, whichever is greater.

The bill would also require the Department of Taxation ("the Department") to recognize Currently Not Collectible (CNC) status granted by the Internal Revenue Service and offer taxpayers with federal CNC status a similar Virginia status that provides individual income taxpayers comparable protections from collection activities. The Department would also be required to develop guidelines establishing procedures for applying for such status.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2027.

**6. Budget amendment necessary:** No.

**7. No Fiscal Impact.** (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

This bill would have no impact on local administrative costs.

The Department does not require additional funding because the implementation costs of this bill can be absorbed within existing resources. With a July 1, 2027 effective date, this legislation would not impact the work in progress for the first phase of the Integrated Revenue Management System (IRMS) replacement project.

## Revenue Impact

This bill would have no impact on local revenues.

The provisions of this bill requiring a 25 percent wage garnishment limitation would have no impact on state revenues because the Department has already implemented such a limitation administratively beginning in June of 2025.

The provisions of this bill requiring 40 times minimum wage garnishment limitation would have a minimal unknown impact on state revenues. Taxpayers benefiting from the 40 times minimum wage garnishment limitation likely already qualify under existing law for relief on other grounds or for an offer in compromise. Therefore, the Department anticipates that any revenue impact from imposing this limitation would likely be minimal.

### **9. Specific agency or political subdivisions affected:**

Department of Taxation

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

#### Background

The Department's lien forms sent to employers contain instructions to reduce the amount taken from the employee's paycheck if hardship is claimed based on a table printed on the form. The amounts in the table are based on the number of dependents that the employee has as well as the standard deduction and personal exemptions. This is similar to the exemption table that the IRS sends with its wage levies to employers. In many cases the employers tell their employees claiming hardship to call the Department, and the Department's collection staff routinely reduce the percentage taken from the paycheck or set up a payment plan.

The Department voluntarily began administratively implementing the 25 percent wage garnishment limitation in June of 2025.

#### 2025 Workgroups

##### *Wage Garnishment Workgroup*

2025 House Bill 1979 would have made state and local tax debt subject to certain limitations on the total amount of wages that may be garnished per pay period. These limitations apply to most garnishments and specify that they are limited to the maximum part of the aggregate disposable earnings of an individual for any workweek that is subject to garnishment to collect delinquent taxes and charges to a maximum of 25 percent of such individual's disposable earnings for that week. Under current law, state and local tax debt is not subject to these limitations. The bill was not enacted, but the Department was directed to study the issues contained within the legislation.

The Department reviewed its wage garnishment policies and practices and determined that the process to implement a 25 percent limitation on wage garnishments had already begun. On June 16, 2025, the 25 percent limitation was implemented.

### *CNC Workgroup*

2025 House Bill 2549 would have directed Virginia Tax to create a program through which taxpayers may apply for CNC status and allowed taxpayers who faced an undue hardship caused by a tax collection action to apply for a Virginia version of CNC. A substitute version of the bill would have expanded the parameters of the CNC program to direct the Department as to the timeframe for review and reapplication, restricted the ability to file a tax lien, and did not toll the statute of limitations.

The bill was not enacted, but the Department was directed to assemble a workgroup to study the issues contained within the legislation. The workgroup reviewed the federal CNC program and recommended adopting a similar approach in Virginia. Based on those recommendations, the Department implemented a Virginia CNC program at the workgroup's request.

### Proposal

This bill would provide that, effective July 1, 2027, the maximum part of the aggregate disposable earnings of an individual for any workweek that is subject to garnishment to collect delinquent taxes and charges owed to the state government shall not exceed the lesser of (i) 25 percent of such individual's disposable earnings for that week, or (ii) the amount by which such individual's disposable earnings exceed 40 times the federal or Virginia minimum wage, whichever is greater.

The bill would also require the Department to recognize CNC status granted by the Internal Revenue Service and offer taxpayers with federal CNC status a similar Virginia status that provides individual income taxpayers comparable protections from collection activities. The Department would also be required to develop guidelines establishing procedures for applying for such status.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2027.

### Similar Legislation

**House Bill 1100 and Senate Bill 597** would limit a treasurer's lien issued with respect to wages or salary to 25 percent of the disposable earnings in a single pay period. The bills would provide that the 25 percent limitation would not apply (i) if the lien issuer determines that the adjusted gross income of the delinquent taxpayer exceeds 250 percent of the poverty guideline amount adjusted for household size, (ii) if the treasurer determines that the delinquent taxpayer or property is no longer in the jurisdiction, may flee or attempt to flee the jurisdiction, or is improperly disposing of assets with the intent to hinder or delay the collection of the delinquent obligations, or (iii) to any portion of the delinquent obligation collected by the delinquent taxpayer and held in trust to remit to the local governing authority. House Bill 1100 would apply these limits to treasurer's liens and

using a standard based on 40 times the federal minimum hourly wage, and Senate Bill 597 would apply them to garnishments and using a standard based on 40 times the Virginia minimum hourly wage.

cc : Secretary of Finance

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